

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Iowa State Center Annual Report
Date: January 7, 2002

Recommendation:

Receive the report on the Iowa State Center at Iowa State University for the year ended June 30, 2001.

Executive Summary:

Strategic Plan Annually, the Board is presented with a report on the Iowa State Center in support of the strategic planning goal to provide effective stewardship of institutional resources (Key Result Area 4.0).

The Center The Iowa State Center includes the operations of Hilton Coliseum, Stephens Auditorium, Fisher Theater, and the Scheman Building, as well as various outdoor activities such as stadium concerts, barbecues, and dances.

Iowa State University had contracted with Ogden Entertainment, Inc. for the management of the Center since February 1988. ISU pursued this arrangement after experiencing difficulty attracting high quality entertainment. The mission of the Center, its booking priorities, and operating policies continue to be controlled by the University.

In 2000, Ogden sold its entertainment division to ARAMARK, which assumed the existing management contract. The management contract ended June 30, 2001.

ISU, through a Request for Proposal (RFP) process, negotiated an agreement with Spectator Management Group (SMG) for the Iowa State Center Operations and Management Services. The Board approved a new management agreement with SMG in June 2001 for an initial term of five years with an option for a second five-year term.

Annual Report This report represents the final report under Ogden / ARAMARK Management. The report contains financial information, activities, and attendance statistics of the Iowa State Center.

The Iowa State Center FY 2001 operating revenues were \$7.0 million and the University operating subsidy was \$1.2 million. Total Center expenses were \$8.2 million. Revenues were lower than FY 2000 but similar to FY 1999. Transfers from the University were higher than FY 1999 and FY 2000. This was partly due to increased utility costs.

Gross and net concession revenues decreased by \$33,416 (-2.8%) and \$20,035 (-4.2%) respectively. These revenues were less than the prior year primarily due to 1) no major exterior events and 2) lower per game attendance for women's basketball games. From FY 1987, the benchmark year, to FY 2001, net concession dollars have increased 286.2%.

The Iowa Auditor of State conducted an audit on the Iowa State Center for the fiscal year ended June 30, 2001. The audit report indicated that the financial statements were presented fairly in all material respects. No findings were reported.

Background:

Center Management Iowa State Center is not a self-supporting unit of the University. During the University's annual budget process, it allocates funds to the Center in the form of a general operating subsidy and a utilities subsidy.

Iowa State University contracted with Ogden Entertainment, Inc. in February of 1988 to manage the Iowa State Center. The primary objectives of the contract are for the management firm to improve financial operations of the Center and increase the number, profitability, and diversity of programs at the Center. The management responsibilities include financial, human resources, operating, and programming including responsibility for concession stands, beverage sales, and novelty sales at the Center.

The following table identifies a timeline and associated activities that have occurred with management firms in managing the Iowa State Center.

February 1988	Initial 5 Year Contract with Ogden Entertainment, Inc. (through June 30, 1993)
January 1993	3 Year Extension (through June 30, 1996)
June 1996	3 Year Extension (through June 30, 1999)
February 1999	2 Year Extension (through June 30, 2001)
June 2000	Ogden sells Entertainment Division to ARAMARK
October 2000	ISU issues an RFP for Operations and Management Services
May 2001	ISU announces intention to begin negotiations with SMG, a Pennsylvania general partnership
June 2001	Board approves contract with SMG
July 2001	SMG assumes management responsibility

Analysis:

FY 2001
Highlights

The Iowa State Center has three primary divisions – Conference Services, Contemporary Programming, and Performing Arts. Highlights from each are as follows:

- The Conference Services Division implemented a new scheduling system which tracks sales by rooms sold. The previous system tracked rooms by sessions. Historical data was converted for the previous eight years. The 4,545 rooms sold during FY 2001 were second only to the record high of 4,626 in FY 1999.
 - The Contemporary Programming Division experienced a 21.4% increase over the budgeted number of concerts/special events with total attendance at these events exceeding 68,500 and gross ticket sales in excess of \$2.5 million.
 - The Performing Arts Programming had sellout performances of the musicals *Show Boat* and *Chicago*; well-attended musicals *Peter Pan* and *Footloose*; and well-attended performances by The Capitol Steps, Vienna Symphony Orchestra, and Canadian Brass.
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Annual Report The audited financial statements show FY 2001 Center operating revenues of \$7.0 million and expenses of \$8.2 million. The net difference of \$1.2 million represents the FY 2001 operating subsidy provided by Iowa State University.

The FY 2001 revenues were significantly lower than the prior year due to an anomaly that occurred in FY 2000. In FY 2000, the Iowa State Center coordinated the Destination Imagination event due to the resignation of the Director of University Conference Services. All revenues from that event were processed through the Iowa State Center.

FY 2001 operating transfers from the University were higher than FY 1999 and FY 2000. This was partly due to increased utility costs.

	1999	2000	2001
Operating Revenues	\$7,066,577	\$9,046,217	\$6,999,179
Operating Transfers	<u>820,963</u>	<u>948,054</u>	<u>1,227,447</u>
Total	\$7,887,540	\$9,994,271	\$8,226,626
Operating Expenses	\$7,887,540	\$9,994,271	\$8,226,626

Concession Sales

The net return for concession sales has fluctuated over the contract from 27.0% in FY 1987 (the benchmark year), to a high of 52.4% in FY 1995, to 39.0% in FY 2001. Net concession dollars have increased from \$118,897 in FY 1987 to \$459,125 in FY 2001 (286.2%).

The net concessions sales decreased \$20,035 (-4.2%) over FY 2000. The University reports that the lower net return, compared to previous years, was due to 1) decreases in exterior event concessions and liquor revenues as a result of no large exterior events; and 2) decrease in Hilton concessions revenues due to lower per game attendance for women's basketball games.

<u>FY</u>	<u>Gross Sales</u>	<u>Net Concessions</u>	<u>Net Return</u>
1987*	\$ 440,359	\$ 118,897	27.0%
1988**	762,734	221,193	29.0%
1989	616,050	234,099	38.0%
1990	746,020	331,233	44.4%
1991	923,272	433,938	47.0%
1992	850,686	401,524	47.2%
1993	985,931	430,852	43.7%
1994	889,511	426,076	47.9%
1995	1,233,487	646,347	52.4%
1996	1,092,144	560,270	51.3%
1997	1,207,370	650,042	50.1%
1998	952,891	388,213	40.7%
1999	1,288,683	597,699	46.4%
2000	1,209,319	479,160	39.6%
2001	1,175,903	459,125	39.0%

* Benchmark year.

** Ogden contract effective February 1988.

Management Fees

ARAMARK was paid a monthly management fee of \$12,500, net of any expenses incurred over and above normal Center operating costs and a 10% commission of concessions and novelties revenues. The following table shows management fees for the past ten years.

<u>Fiscal Year</u>	<u>Management Fee (net)</u>	<u>Commission Fee</u>	<u>Total Fees</u>
1991	120,000	92,300	212,300
1992	120,000	85,134	205,134
1993	143,932	98,524	242,456
1994	135,000	89,416	224,416
1995	120,000	123,197	243,197
1996	135,000	109,185	244,185
1997	134,000	120,737	254,737
1998	134,000	95,289	229,289
1999	134,000	128,868	262,868
2000	134,000	120,828	254,828
2001	150,000	117,470	267,470

* Calculated.

Conference Services

The improvement in revenue generated per room sold can be attributed to:

- An increase negotiated in the catering commission that the Center receives from the Memorial Union catering department; and
- An increase in the Scheman room rental rates.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>%</u>
Rooms Sold	4,376	4,545	169	3.9%
Revenue/Room	\$163.53	\$197.72	\$34.19	20.9%
^{Sold} Room Revenue	\$715,625	\$898,644	\$183,019	25.6%
Scheman Revenue	\$884,575	\$1,097,782	\$213,207	24.1%
Scheman Net (Loss)	(\$349,138)	(\$105,035)	\$244,103	69.9%

Contemporary Programming The number of event days and sessions exceeded the budget in each category except Conference/Trade/Flat Shows.

	Days		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Athletic Events	56	60	4
Conference/Trade/Flat Shows	45	42	(3)
University Events	44	47	3
Concerts/Special Events	14	17	3
Fisher Theater	56	63	7

Attendance Total attendance at the Iowa State Center (including Brunnier Gallery and Farmhouse Museum for which ARAMARK is not responsible) in FY 2001 was 873,738.

<u>Fiscal Year</u>	<u>Total Attendance</u>
1987*	859,771
1988**	944,793
1989	894,063
1990	918,491
1991	806,184
1992	835,207
1993	972,858
1994	808,943
1995	1,005,181
1996	905,408
1997	895,523
1998	861,766
1999	1,052,777
2000	1,101,452
2001	873,738

* Benchmark year


** Ogden contract effective February 1988

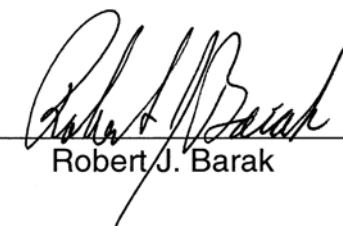
Employment Opportunities During FY 2001, the Iowa State Center continued to provide employment opportunities for over 400 part-time persons with an aggregate part-time payroll of \$984,064. Approximately 60% of these employees were ISU students working in a variety of jobs such as technical production, front-of-house positions, including ushers and peer security, traffic control, custodial, concessions, and conference services.

Infrastructure
Initiatives

Initiatives during the year addressed infrastructure needs, marketing opportunities, and Center organizational structure including:

- Rebuilding a large portion of the parking lots through a collaborative pooling of funds between Iowa State Center, ISU Parking Systems, Facilities Planning and Management, and CY-Ride;
- Installing a new building scheduling;
- Reorganizing to create staff efficiencies;
- Continuing joint marketing efforts with University Conference Services and the Ames Convention and Visitors Bureau to attract new groups to Ames and Iowa State University; and
- Completing capital improvements including:
 - Replacing insulation of a roof beam above the Brunnier Art Museum to prevent moisture condensation in the museum;
 - Replacing flawed lobby carpet in Stephens Auditorium;
 - Replacing remaining original exterior lighting fixtures;
 - Replacing Stephens Auditorium production dimmers; and
 - Completing several fire safety deficiency improvements.


Deb A. Hendrickson

Approved: 
Robert J. Barak